



Liability Limit Benchmarks
& Large Loss Profile
by Industry Sector
2020

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Chubb Bermuda



The Cyclical Nature of Insurance Markets

During the past decade, the insurance industry has faced a dramatic alteration in the landscape of loss, with both frequency and severity rising to unanticipated and previously unheard-of levels. Each weekly newscast seems to feature yet another multi-billion-dollar event. Wildfires and earthquakes in many parts of the world. Mass shootings in schools, malls, churches, concert venues. D&O class-action harassment and misconduct lawsuits propelled by the #MeToo movement. Lawsuits stemming from large-population pharmaceutical substance addiction and abuse. Auto liability-related suits involving contractor-owned vehicles. It's a list of events that often appears endless.

In the past ten years, large scale catastrophes – or “CAT events” – have seemingly become commonplace. Previously occurring as high-severity/low-frequency events, they have increasingly morphed into high-severity *and* high-frequency catastrophes. Almost without exception, these events involve multi-*billion*-dollar losses, which have naturally contributed to an industry-wide need to improve rate adequacy and heightened scrutiny of capacity deployment.

In addition to the high frequency and severity of catastrophe events, the excess liability market has been further impacted by other economic phenomena, such as:

- 1. Social Inflation** – The term, “social inflation,” can refer to the perception – or even expectation – by plaintiffs and courtroom juries that injured parties should receive inflated multi-million (or billion)-dollar settlements. Since the financial market crash of 2008, there has been a general public mistrust of big business – a distrust that has moved into the courtroom, producing increased plaintiff activity, an increasingly well-funded plaintiffs bar, and desensitization of jury awards.
- 2. The Prevalence of Nuclear (or Super-Nuclear) Verdicts** – According to the Wall Street Journal analysis of data from verdictsearch.com, in 2019, there was a 300% increase in “nuclear verdicts” compared to the prior ten years.
- 3. Continuing Increase in Loss Cost Trend** – The cost to settle a claim costs significantly more than it does in prior years due to several factors including rising inflation, medical costs, legal and investigative costs, a larger and more public universe of "deep pocket" targets, etc.

As we navigate through this challenging environment, we want to reassure our customers of the role that we can and will continue to play. We continue to offer what we have always provided: creative solutions, consistent and customized large-block capacity, powerful expertise and advocacy for mitigating losses, and data insights to facilitate decision making. In short, our promise of trusted protection and true partnership remain.



Chubb Bermuda Insurance Limited is pleased to deliver our 2020 report which includes:

- Median liability limits purchased by industry sector, over a 10 year period, based on Chubb Bermuda's 2019 year-end portfolio data
- A sampling of large losses in specific industry sectors, leading with those sectors most impacted in 2019
- Average CODA limits purchased, and examples of large losses and exposures driving the purchase of dedicated Side A limits for directors and officers



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Utilities

Companies engaged in the generation, transmission, and distribution of electricity, including transmission or distribution of gas.



Utilities Sector*

Sample Large Losses

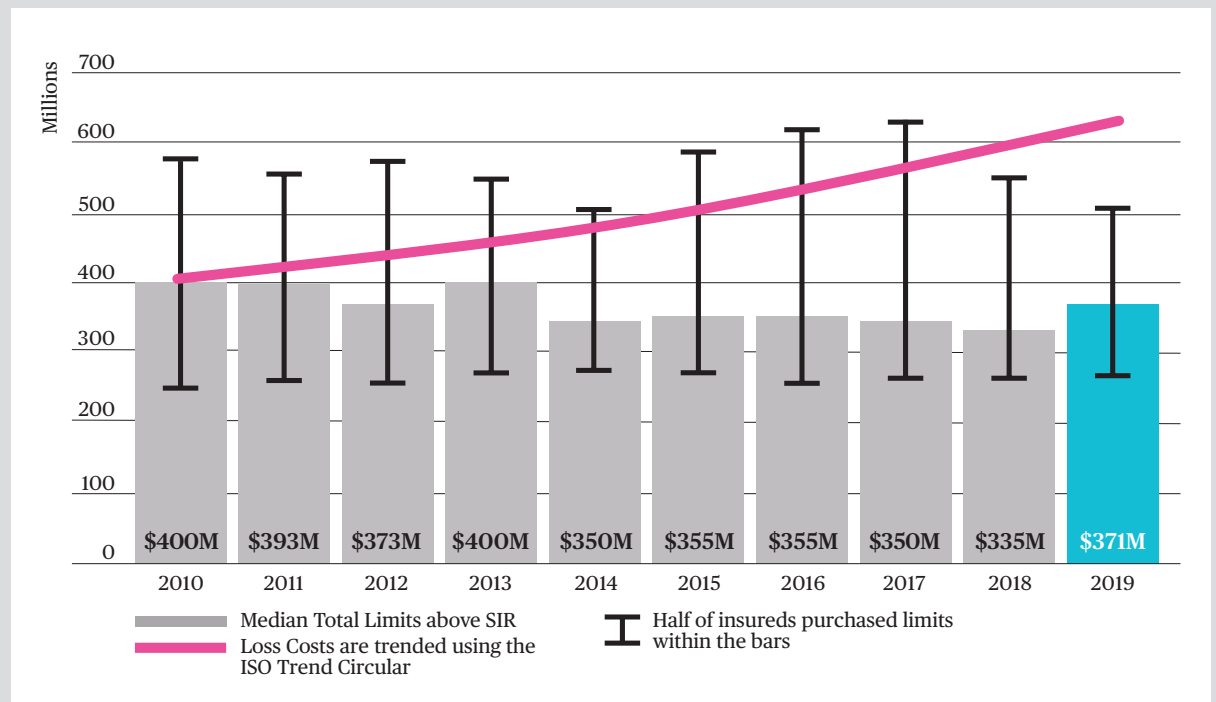
| Date of Loss | Loss Details | Location | Incurred Amount |
|-------------------|---|----------|---------------------|
| 2008 | Impoundment failure | USA | \$1.1B |
| 2015 | Natural gas leak resulted in alleged illness and mandatory evacuations | USA | \$1B ¹ |
| 2016 ² | Utility employee alleged negligence led to an explosion when plaintiff lit cigarette at home | USA | \$20M |
| 2017 | A loose wire on a utility pole became electrified killing one worker and causing a double amputation to another | USA | \$100M ³ |
| 2017 ² | Child electrocuted while climbing trees near power lines | USA | \$24M |
| 2017/2018 | Wildfires allegedly caused by power and distribution lines, conductors and failure of power poles | USA | \$12B-24B |
| 2018 | Alleged negligence in vegetation management when a tree falls on a child who loses a leg | USA | \$48M |
| 2018 | Gas leak and explosion kill one, injure over 25 and impact over 8,000 customers | USA | Over \$790M |
| 2019 | Three individuals injured by electric ground box shock | USA | \$25M ³ |

¹ Estimate

² Disposition date

³ Demand

Limits Purchased vs. Loss Costs



* Includes crude, petroleum products.

Real Estate & Hospitality

Companies engaged in the ownership, operation or management of all types of premises/occupancies, including commercial and residential buildings, hotels, and arenas/stadiums.



Real Estate & Hospitality Sector

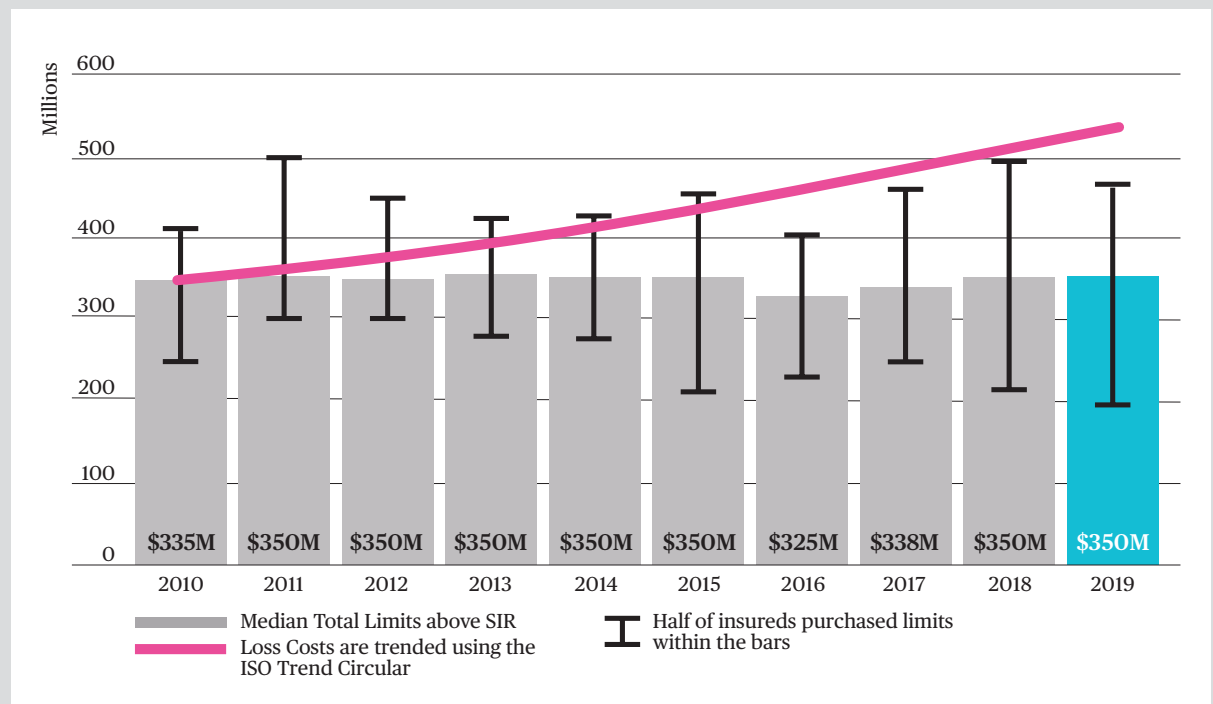
Sample Large Losses

| Date of Loss | Loss Details | Location | Incurred Amount |
|-------------------|---|----------|---------------------|
| 2015 ¹ | Second story apartment floor and balcony collapsed | USA | \$25M |
| 2015 | Hotel guest secretly videotaped in the shower | USA | \$100M |
| 2015 | Pedestrian shelter collapsed at the airport | USA | \$115M |
| 2016 | The construction of illegal partition walls blocked access to fire escape resulting in fatalities | USA | \$183M |
| 2017 ¹ | Hotel nightclub security alleged to have caused VIP guest traumatic brain injury | USA | \$161M ² |
| 2018 | Shooting from hotel leaves 58 dead and hundreds injured | USA | \$800M |
| 2018 ¹ | Hotel liable for failure to respond to murder in guestroom | USA | \$41M |
| 2018 ¹ | Hotel failed to intervene in ongoing domestic abuse | USA | \$42M |
| 2019 ¹ | Property association liable for bicyclist's crash into improperly place pole | USA | \$41M |
| 2019 ¹ | Apartment's substandard living condition lead to death | USA | \$125M |
| 2019 ¹ | Tour operator crash killing 5 and injuring 60 | USA | \$123M |

¹ Disposition date

² \$161M verdict, but later settled at a lower undisclosed amount

Limits Purchased vs. Loss Costs



Rail

Companies engaged in the transportation of passengers and/or products by rail.



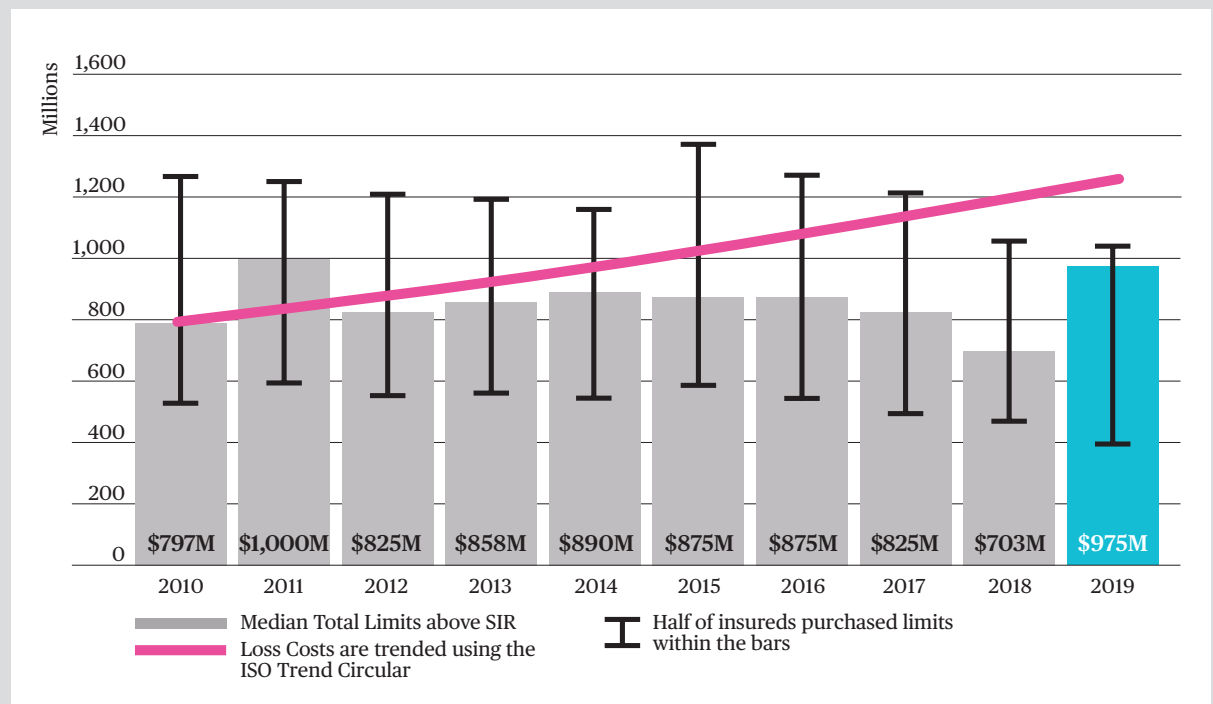
Rail Sector

Sample Large Losses

| Date of Loss | Loss Details | Location | Incurred Amount |
|-------------------|---|----------|-----------------|
| 2013 | Train operator alleged to have fallen asleep, and a passenger train derailed on a curve killing four and injuring around 70 | USA | \$60M |
| 2013 ¹ | Train struck vehicle at railway crossing | USA | \$15M |
| 2013 | Two-train collision following derailment, injuring 65 passengers | USA | \$21.7M |
| 2013 | Train derailment resulted in multiple fatalities, injuries, and property damage | Canada | \$430M |
| 2015 | High-speed derailment kills eight and injures over 200 | USA | \$265M |
| 2016 ¹ | Train strikes car at railroad crossing killing one and severely injuring four | USA | \$37.5M |
| 2017 | Train derails on newly opened route killing three and injuring about 100 | USA | \$31.7M |
| 2018 ¹ | Railroad worker exposed to toxic fumes from leaking railcar | USA | \$15M |
| 2019 | Train derails into a river, killing three crew members | Canada | Pending |
| 2019 ¹ | Single vehicle crash involving a concrete barrier at a railroad crossing results in severe injuries | USA | \$17M |

¹ Disposition date

Limits Purchased vs. Loss Costs



Chemical

Companies engaged in research, development, manufacturing, marketing, and distribution of petrochemicals, basic and specialty chemicals, agricultural chemicals, and chemical intermediates.



Chemical Sector

Sample Large Losses

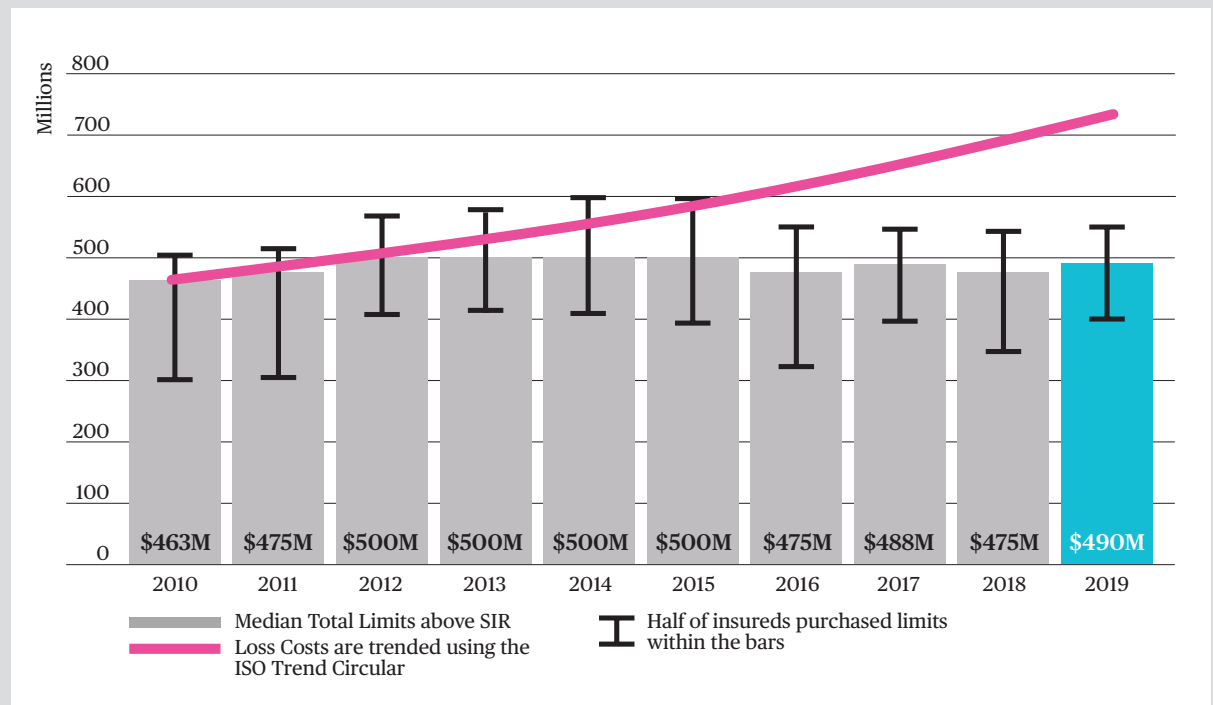
| Date of Loss | Loss Details | Location | Incurred Amount |
|-------------------|---|----------|--------------------|
| 2017 ¹ | Exposure to toxic chemical in drinking water alleged to cause cancer | USA | \$13M |
| 2017 | Class action lawsuit alleges medical marijuana customers were made ill by cannabis tainted with pesticides | Canada | Pending |
| 2017 | Class action settlement for personal injuries resulting from exposure to chemical | USA | \$671M |
| 2018 ² | Toxic product to be removed from homes | USA | \$60M |
| 2019 ¹ | Wrongful death verdict for two workers exposed to toxic solvents | USA | \$21M |
| 2019 ¹ | Private citizen's lawsuit alleging illegal pollution discharge into waterways | USA | \$50M |
| 2019 ¹ | Groundwater contamination alleged from application of pesticide fumigants | USA | \$63M |
| Various | Potential class action from thousands of claimant allegations that an agrichemical causes personal injuries | USA | \$10B ³ |
| 2020 ¹ | Crop damage resulting from third party use of herbicides | USA | \$265M |

¹ Disposition date

² Date of settlement

³ Defense settlement offer

Limits Purchased vs. Loss Costs



Consumer Products

Companies engaged in manufacturing, distribution, marketing, and sale of consumable goods.



Consumer Products Sector

Sample Large Losses

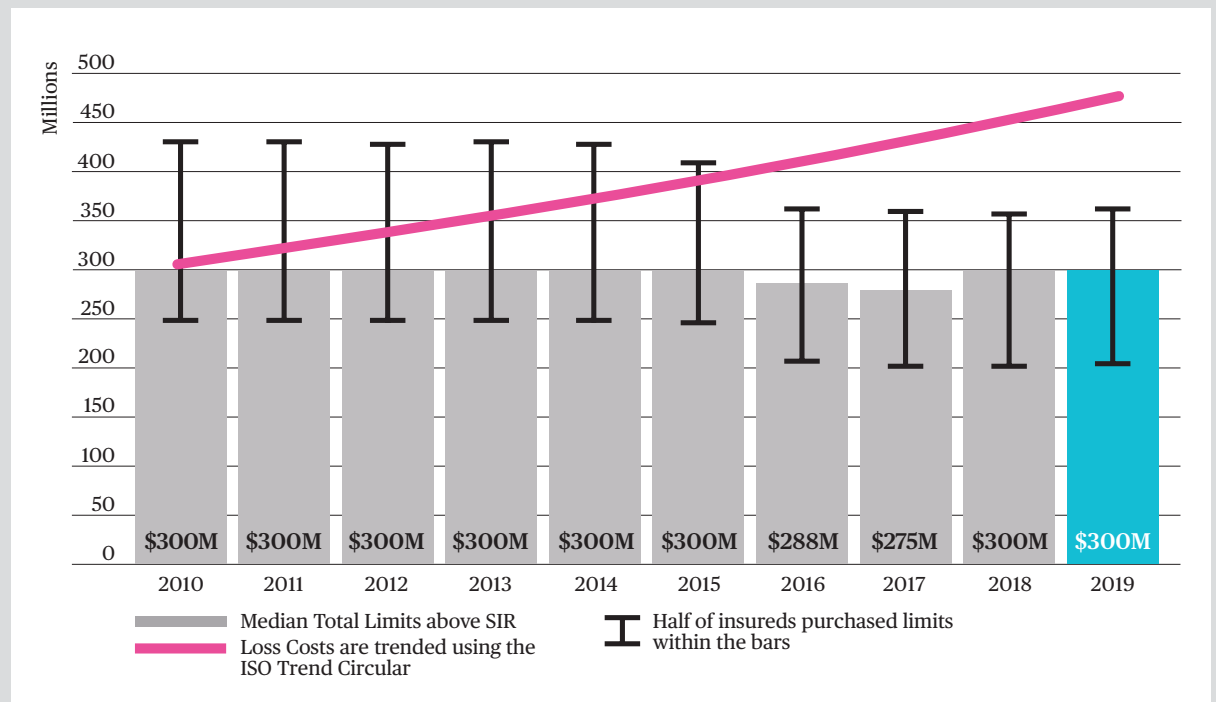
| Date of Loss | Loss Details | Location | Incurred Amount |
|------------------------|---|------------|--------------------|
| 2011 ¹ | Defective plumbing | USA/Canada | \$200M |
| 2011 | Defective heater started a fire | USA | \$47M |
| 2012 ² | Footwear alleged to cause health risks | USA | \$401M |
| 2016 ² | Alleged concussion-related injuries | USA | \$1B ³ |
| 2016 ¹ | Defective infant car seat design led to spinal injury | USA | \$34M |
| 2017 | Faulty refrigerator alleged to have contributed to a deadly fire that killed 79 | UK | Pending |
| 2018 ² | Defective furniture killed three children | USA | \$50M |
| 2018 ¹ | Workers allege that defective dust makes lead to disease | USA | \$67M |
| 2018 ¹ | Faulty vehicle seat design injuries to two children | USA | \$209M |
| 2018/2019 ⁴ | Talc litigation | USA | \$5B |
| 2019 ¹ | Federally-approved seat-belt design considered defective | USA | \$37M ⁵ |
| 2020 ² | Defective furniture design leads to wrongful death single plaintiff lawsuit | USA | \$46M |

¹ Disposition date
² Date of settlement

³ Estimate of class action settlement over 65 years

⁴ Date of verdicts
⁵ Single plaintiff verdict

Limits Purchased vs. Loss Costs



Food & Beverage

Food companies face a unique and complex set of risks with high competition, low margins, numerous regulations, and consumers who are ever more aware of food safety issues and concerned about the environmental impact.



Food & Beverage Sector

Sample Large Losses

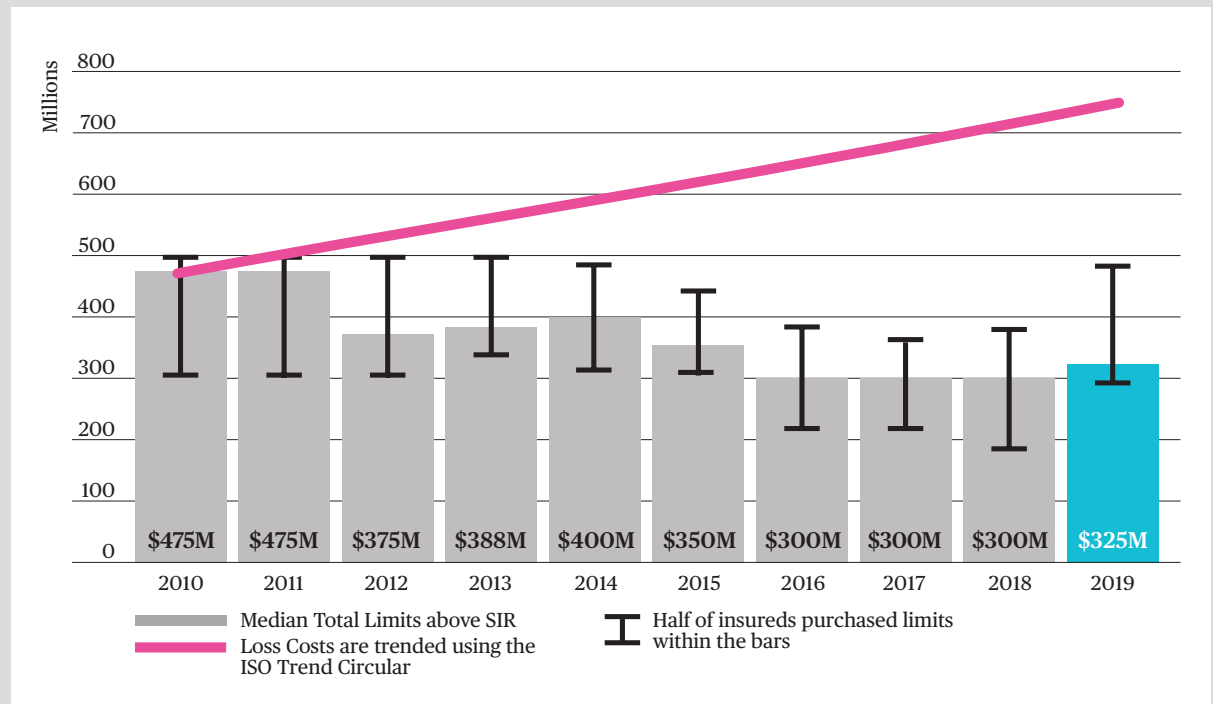
| Date of Loss | Loss Details | Location | Incurred Amount |
|-------------------|--|----------|--------------------|
| 2010 | Product for consumption contaminated with Salmonella | USA | \$33M |
| 2014 | Food truck explosion that killed two and injured 11 was allegedly cause by company refilling propane tanks for the food industry | USA | \$160M |
| 2014 ¹ | Restaurants alleged lack of security resulted in patron being beaten to death | USA | \$27M ² |
| 2015 ¹ | Restaurant's service of alcohol to an underage patron resulted in life-altering injury car crash | USA | \$60M |
| 2016 ¹ | Explosion at food plant killed four and injured over 60 | USA | \$109M |
| 2016 ³ | Edible marijuana manufacturer and dispensary failed to warn of products potency and side effects | USA | Pending |
| 2018 ¹ | Industrial farm created a noise and odor nuisance for residents | USA | \$98M |
| 2019 ¹ | Grocery store's failure to provide adequate security led to mugging injury | USA | \$70M |

¹ Disposition date

² Subsequently settled post-verdict for an undisclosed sum

³ Filing date

Limits Purchased vs. Loss Costs



Healthcare

Hospitals, teaching universities/medical schools, long-term care/assisted living facilities, Managed Care Organizations, Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), Physician-Hospital Organizations (PHOs) and clinical trial/contract research organizations.



Healthcare Sector

Sample Large Losses

| Date of Loss | Loss Details | Location | Incurred Amount |
|-------------------|---|----------|---------------------|
| 2015 | Plaintiff contracted antibiotic-resistant bacteria in hospital after exposure to contaminated equipment | USA | Pending |
| 2016 ¹ | Lawsuit alleged inappropriately 20 missteps by doctors and nurses resulting in serious permanent injury | USA | \$52M |
| 2018 ¹ | Doctor's negligence resulted in severe permanent injury | USA | \$73M |
| 2018 ¹ | Botched surgery resulted in infection by a flesh-eating bacteria and amputations | USA | \$109M |
| 2018 ¹ | University physician alleged sexual abuse and harassment | USA | \$225M |
| 2018 ¹ | Clinic's negligence with a medical device resulted in wrongful death | USA | \$384M ² |
| 2018 ¹ | University sports physician sexually abused girls and women | USA | \$500M |
| 2019 ³ | Hospital liability for infant brain damage | USA | \$50M ⁴ |
| 2019 ⁴ | Catastrophic infant brain injury caused during delivery | USA | \$205M ⁴ |

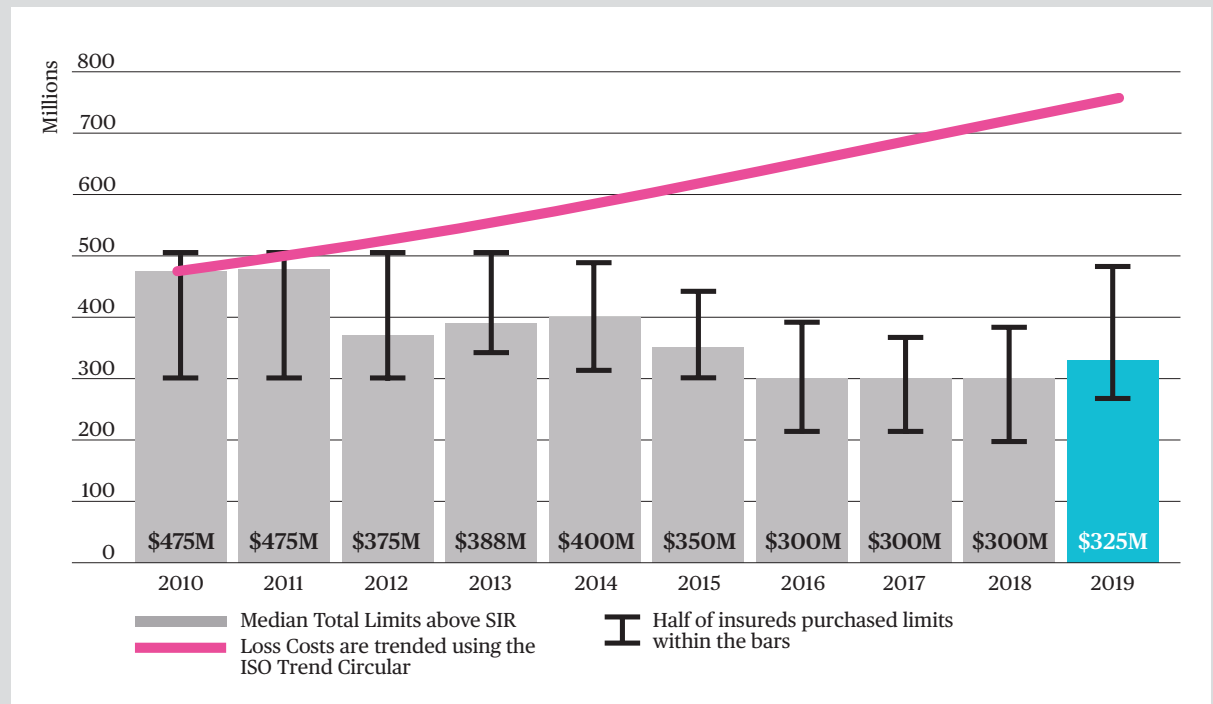
¹ Disposition date

² Verdict, later reduced to a confidential settlement

³ Date of verdict

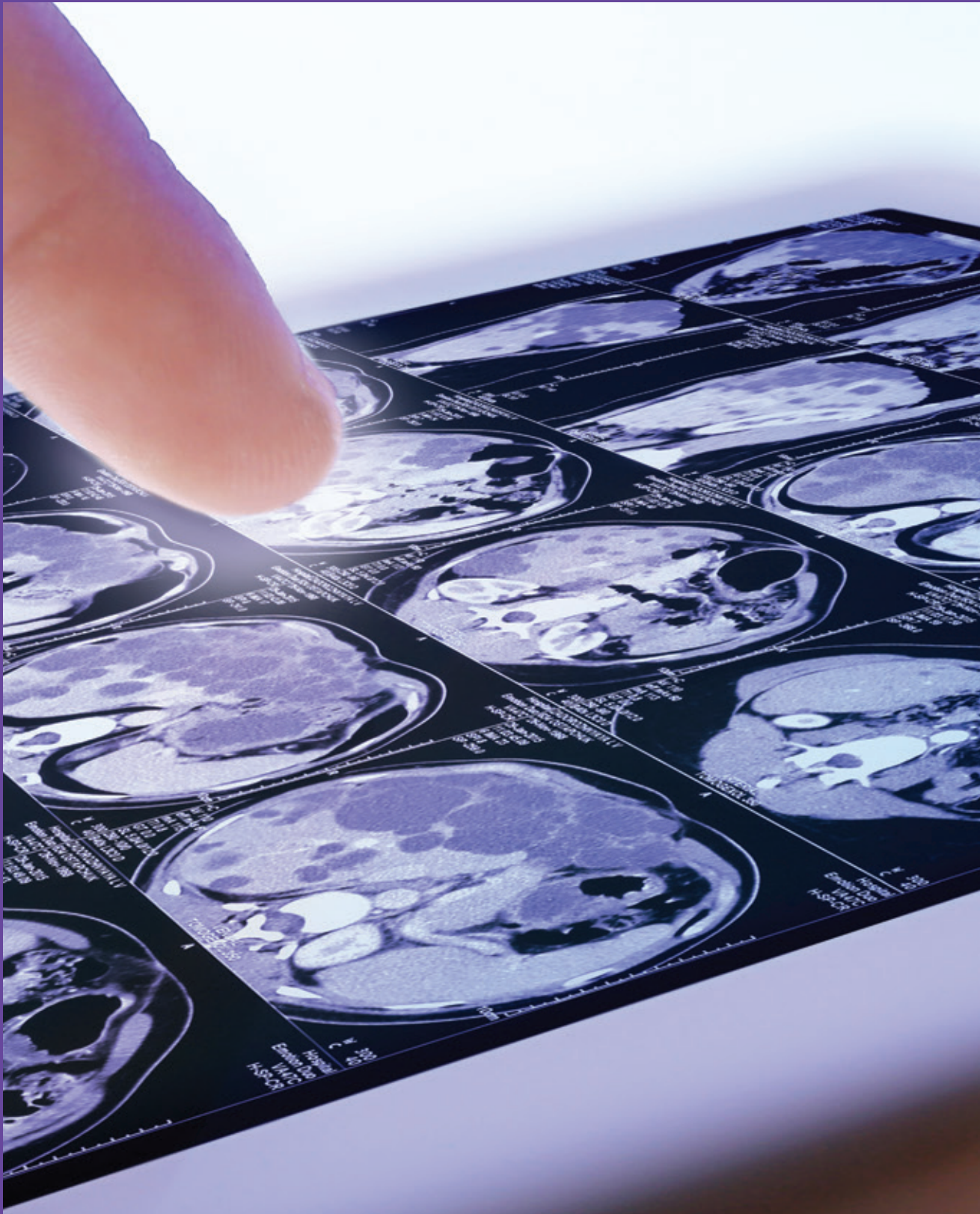
⁴ Reduced by settlement from \$101M jury verdict

Limits Purchased vs. Loss Costs



Life Sciences

Companies engaged in the research, development, manufacturing, marketing, distribution or sale of pharmaceuticals, biologics, and medical products/devices, including biomedical research/technology.



Life Sciences

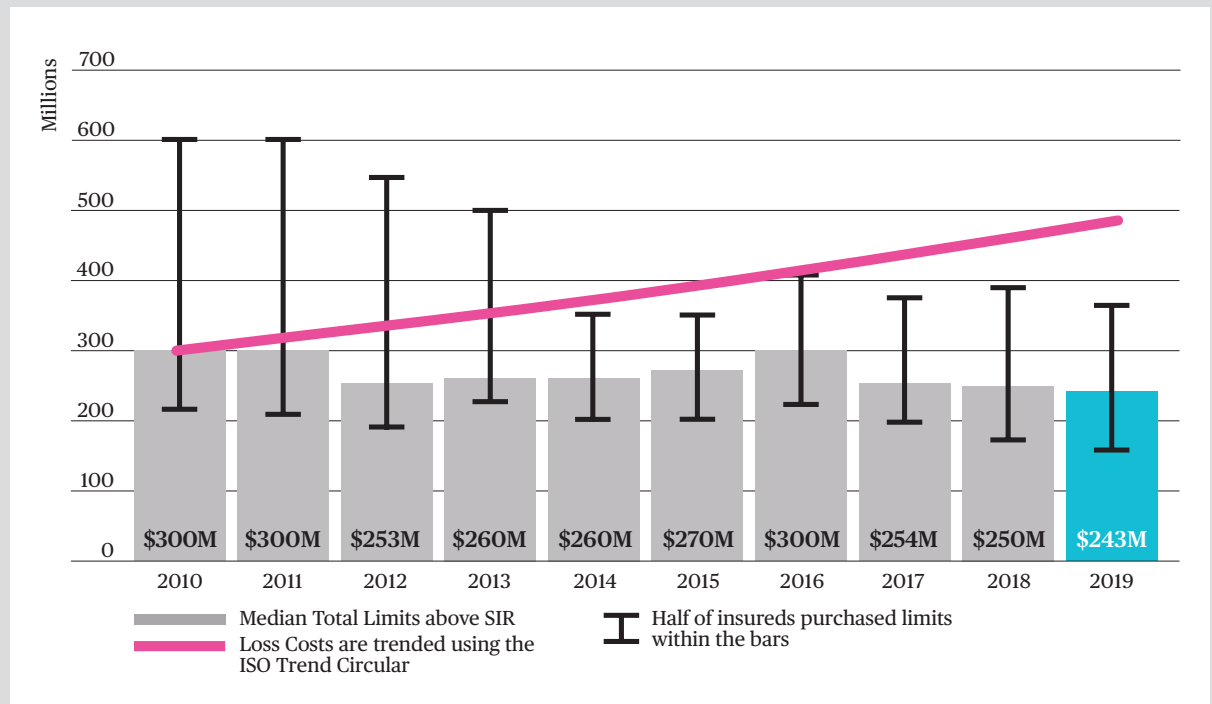
Sample Large Losses

| Date of Loss | Loss Details | Location | Incurred Amount |
|-------------------|--|----------|---------------------|
| 2015 | Contaminated equipment used during surgery alleged to cause severe and life-threatening infections | USA | \$215M |
| 2016 ¹ | Schizophrenia and bipolar disorder drug caused a disturbing side effect | USA | \$70M |
| 2017 ¹ | Design defects of the implanted medical device caused severe personal injuries | USA | \$57M |
| 2017 | Blood pressure drug caused gastrointestinal injuries | USA | \$300M |
| 2019 | Blood-thinning drug alleged to cause internal bleeding, stroke, and death | USA | \$775M |
| Various | 17 patients with alleged personal injuries from defective metal-on-metal hips | USA | \$941M |
| Various | Opioid litigation | USA | \$48B+ ² |

¹ Disposition date

² Proposed settlement

Limits Purchased vs. Loss Costs



Manufacturing

Companies engaged in the design, development, assembly, manufacturing, marketing, distribution and sale of industrial equipment, motor vehicles, and component parts used in various industries.



Manufacturing Sector

Sample Large Losses

| Date of Loss | Loss Details | Location | Incurred Amount |
|-------------------|--|----------|---------------------|
| 2014 ¹ | Seatbelt's defective design caused the driver to strike head during low-speed rollover | USA | \$55M |
| 2016 | Car seat defects caused injury to children during a collision | USA | \$213M |
| 2017 | Cladding alleged to fuel a building fire causing multiple fatalities | UK | Pending |
| 2017 ¹ | Car accident caused by faulty brakes | USA | \$24M |
| 2018 ¹ | Bankruptcy judge approved a fund for victims of exploding airbag inflators | USA | Up to \$137M |
| 2018 ² | Industrial emissions from processing plant affected neighboring properties | USA | \$51M |
| 2019 ¹ | Vehicle accident caused by safety defect resulted in paralysis | USA | \$151M |
| 2019 ² | Refinery explosion resulting from alleged manufacturing defects | USA | \$317M ³ |
| 2019 ⁴ | Engine defect litigation | USA | \$758M |
| 2020 ² | Auto suspension defect class action litigation | USA | \$57M |

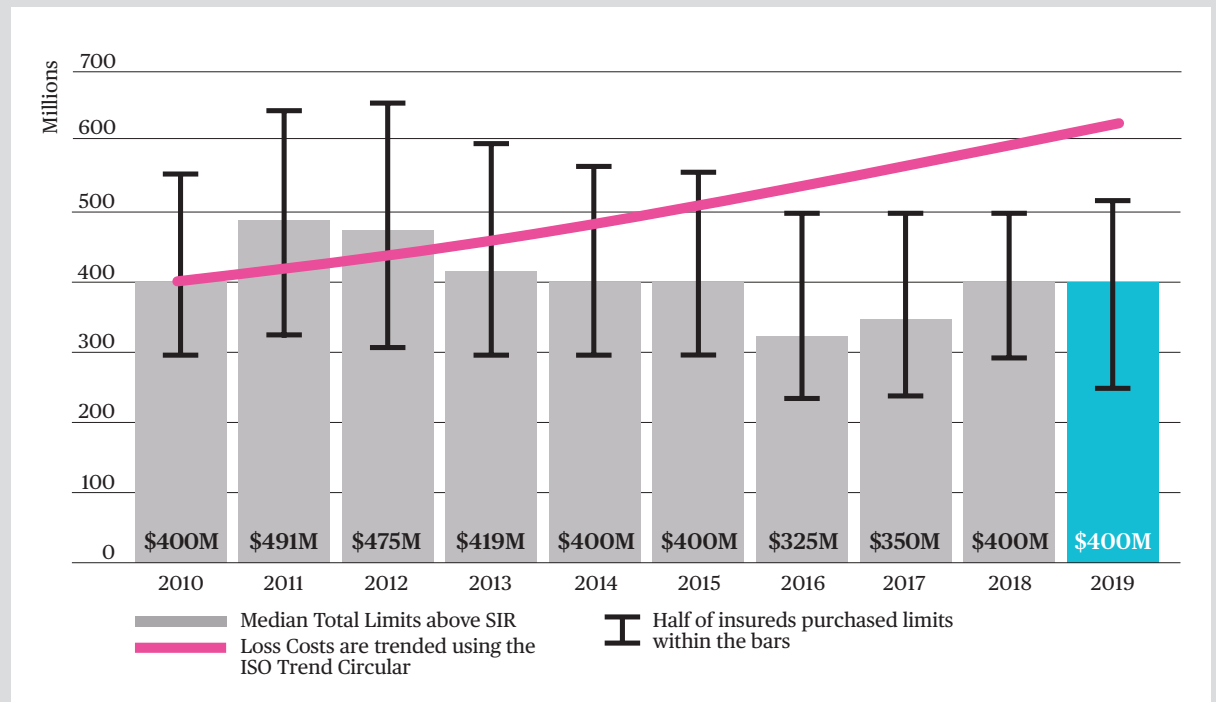
¹ Disposition date

² Date of settlement

³ Reduced to \$195M by settlement prior to jury verdict

⁴ Date of proposed settlement

Limits Purchased vs. Loss Costs



Oil & Gas

Companies engaged in the exploration, production, refining, processing, marketing, and distribution of natural gas, oil, liquids, and derived products – including contract drilling and other oilfield products and services.



Oil & Gas Sector

Sample Large Losses

| Date of Loss | Loss Details | Location | Incurred Amount |
|-------------------|--|----------|--------------------|
| 2010 | Operator of sub-sea well blowout with multiple fatalities | USA | \$44B ¹ |
| 2012 | Sinkhole resulted in contamination | USA | \$200M+ |
| 2013 | Plant explosion kills two and injures over 160 | USA | \$30M |
| 2014 ² | Contractor error in the provision of services allegedly impacting sub-sea well blowout | USA | \$1.1B |
| 2015 ² | Workers burned in refinery explosion and fire | USA | \$159M |
| 2015 ² | Owner of sub-sea well blowout with multiple fatalities | USA | \$211M |
| 2016 | Gas pipeline explosion kills two and injures several | USA | Pending |
| 2017 | Gas truck struck a motorcyclist causing injuries | USA | \$46M |
| 2018 | Fatal oil rig blowout kills five workers | USA | \$20M ³ |
| 2018 ² | Oil services company truck driver plowed into the back of a pickup truck | USA | \$33M |
| 2019 | Natural gas pipeline built in the 1950s exploded | USA | Pending |
| 2019 ⁴ | Coastline damage allegedly caused by oil and gas drilling | USA | \$100M |

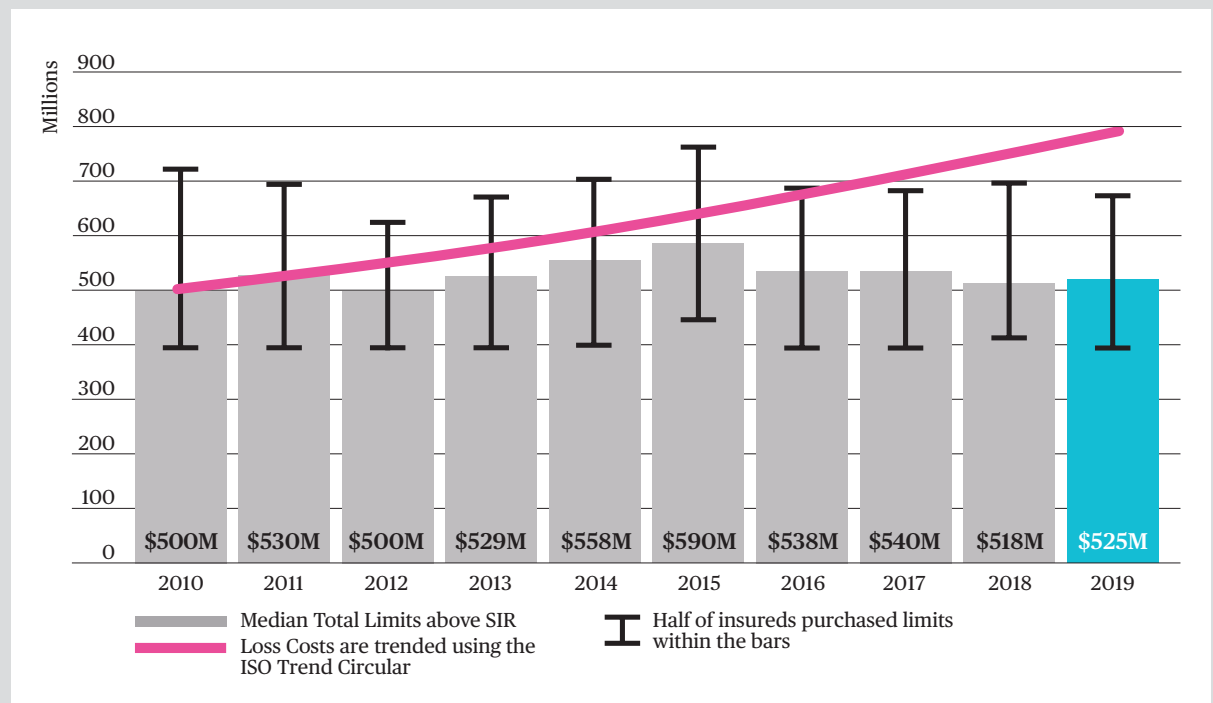
¹ 2016 after-tax update, inclusive of economic loss

² Disposition date

³ Wrongful death verdict for two of the five killed

⁴ Date of settlement

Limits Purchased vs. Loss Costs





Are You Protecting Your Directors & Officers?



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In 2019, there were 428 class action filings, breaking the previous record of 420 set in 2018.¹ Another new record was set in 2019: public companies on US stock exchanges had the highest probability of getting sued than any other time.¹ Health Care continues to be a popular target of plaintiffs, and the frequency of securities cases against companies classified as Industrials and Consumer Staples saw an increase in 2019.¹

Another significant development in 2019 was the settlements of several so-called “mega derivative actions.” Settlements in excess of \$100 million and even \$200 million suggest that Side A towers may need to respond at levels typically only seen for securities class actions. Because derivative actions are generally not indemnifiable by the company, any insurance buyer should undertake a careful analysis to determine if there is sufficient Side A cover to protect the personal assets of directors and officers.

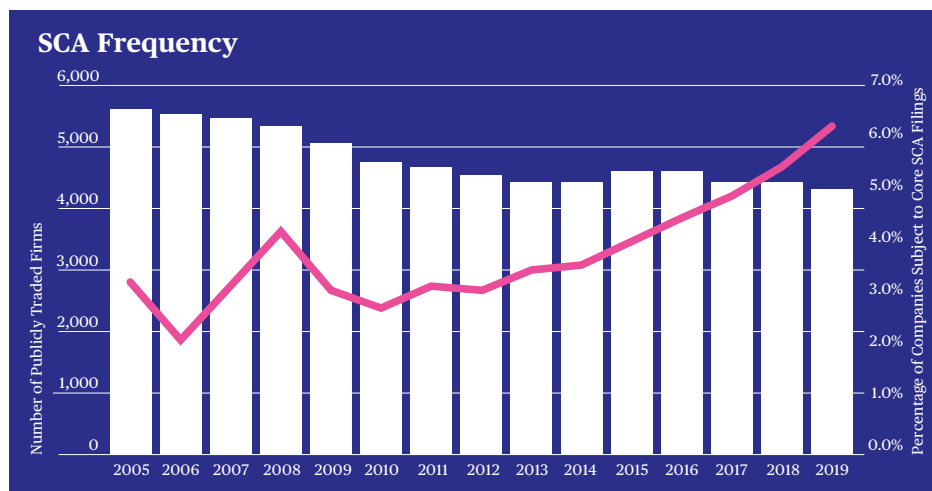
¹ <https://www.cornerstone.com/Publications/Reports/Securities-Class-Action-Filings-2019-Year-in-Review>

Data points, insights, and real-life cases of Side A policy payouts help you determine how much D&O coverage you need.



Emergent liability threats against their personal assets that directors and officers face include:

- Event-driven risks: merger objection claims
- D&O derivative risks: cyber data breach claims
- Employment practices liability risks: derivative claims, fueled by #MeToo
- SEC regulatory investigation risks: continued SEC focus on individuals



Sample Side A Payments in Shareholder Derivative Litigation Settlements

\$25 million

Communications Sector

A Side A policy paid to settle a lawsuit alleging insider trading and fraudulent accounting, while a related class-action lawsuit settled for \$400 million.

\$21 million

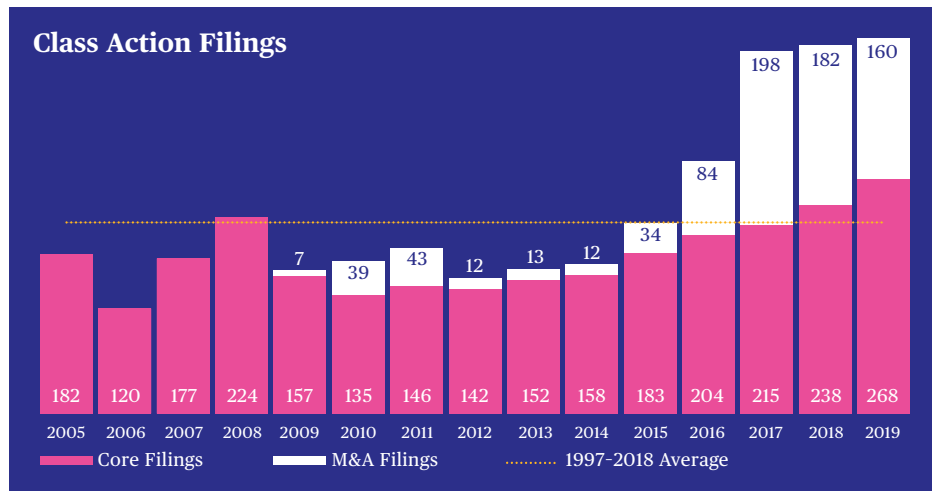
Consumer Products & Services

A Side A policy paid to settle a lawsuit alleging the company founder and chairman made unwanted sexual advances toward employees, and despite being aware of the behavior, directors did nothing to stop that pattern of sexual misconduct.

\$60 million

Energy

A Side A policy paid to settle a lawsuit alleging the directors of an automobile company breached their fiduciary duties by approving an excessively priced solar energy company purchase when that company was controlled by the automobile company's CEO and Chairman.



<https://www.cornerstone.com/Publications/Reports/Securities-Class-Action-Filings-2019-Year-in-Review.pdf>

\$240 million

Financial Services

A Side A policy paid to settle a lawsuit alleging bank directors breached their fiduciary duty by knowingly, or consciously disregarded, a widespread practice of cross-selling by bank employees.

\$60 million

Healthcare

A Side A policy paid to settle a lawsuit alleging the company's directors and officers breached their fiduciary duty by allowing an unlawful patient admissions policy resulting in artificially inflated reimbursement payments from Medicare and others.

\$175 million

Pharmaceuticals

A Side A policy paid to settle a lawsuit alleging company directors breached their fiduciary duties by allowing the illegal distribution of highly addictive opioid painkillers.

Contact Us

For additional information about Chubb Bermuda's insurance products please contact your Bermuda or non US-based broker.

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If you have any questions about this report or would like to provide feedback, please scan here:



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Chubb Bermuda is regulated by the Bermuda Monetary Authority. It is not licensed in the U.S. as an admitted insured nor is it an eligible excess and surplus lines insurer.

This information is intended to be illustrative of the average limits of liability being purchased by companies within particular industry sectors, and of notable large loss industry events which have given rise to liability claims. The Estimated Loss Amounts may or may not include defense costs. The Estimated Loss amounts shown for earlier years have not been trended or developed.

No inference should be drawn from the loss information that such an event or resultant liability claims would (or would not) be covered by a Chubb Policy.

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